

MACATAWA AREA COORDINATING COUNCIL

REPORT FOR THE YEAR ENDED

SEPTEMBER 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MACATAWA AREA COORDIN COUNCIL	County OTTAWA
Fiscal Year End 9/30/06	Opinion Date 11/3/06	Date Audit Report Submitted to State APPROX 1/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DE BOER, BAUMANN & COMPANY, PLC		Telephone Number (616) 396-1435	
Street Address 355 SETTLERS ROAD		City HOLLAND	State Zip MI 49423
Authorizing CPA Signature 		Printed Name MARK A VEENSTRA	License Number 1101018557

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**Macatawa Area Coordinating Council
Management's Discussion and Analysis (Unaudited)
September 30, 2006 and 2005**

Using this Annual Report

The following represents the Management Discussion and Analysis ("MD&A") of the financial activities and performance of the Macatawa Area Coordinating Council (the "MACC"). The MD&A provides the reader with an introduction and overview to the basic financial statements of the MACC for the Fiscal Year ended September 30, 2006.

Following this MD&A are the basic financial statements of the MACC together with the notes and combined financial statements, which are essential to a full understanding of the MACC's financial performance. The Statement of Net Assets and the Statement of Activities provide information about the activities of the MACC as a whole and present a longer-term view of the MACC's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the MACC's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS – THE MACC AS A WHOLE

- The MACC's total assets exceeded liabilities (net assets) by \$566,003 as of September 30, 2006 as compared to \$467,143 as of September 30, 2005. Of this amount, \$544,227 represents unrestricted net assets and may be used to meet future obligations.
- The MACC's net assets increased by \$98,860. The net assets of the governmental funds (Watershed Fund) increased by \$36,663. The net assets of the business-type funds (Transportation Fund) increased by \$62,197.
- As detailed later in the budgetary highlights, the primary reasons for the increase in the net assets of the governmental funds were an unanticipated increase in transportation planning funds and the decision to postpone filling vacancies in certain staff positions during Fiscal Year 2006.
- General revenues for all funds totaled \$267,004. Included in this amount are jurisdictional and watershed/stormwater dues of \$258,017 received from the local units of government who are members of the MACC. Investment income of \$8,987 is also included in the general revenues.
- Non-operating grants and contributions from Federal, State, and local sources for all funds totaled \$494,677. The governmental activities of the MACC accounted for \$242,523 of that revenue. The business-type activities of the MACC accounted for the balance of \$252,154 in program revenue.
- Operating expenses for all funds totaled \$662,821. Of this amount, \$317,251 was allocated to the governmental activities of the MACC. The remaining \$345,570 was allocated to the business-type activities of the MACC.

BASIC FINANCIAL STATEMENTS - OVERVIEW

The MACC's basic financial statements are comprised of the fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic combined financial statements.

The Government-Wide Financial Statements provide information about the activities of the whole government, presenting both an aggregate view of the government's finances and a longer-term view of those finances.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MACC accounts for its activities in governmental and proprietary funds.

Governmental funds. Governmental activities reported in the financial statements consist of a single special revenue fund used to account for the activities of the Macatawa Watershed Project.

The basic governmental fund financial statements begin on page 7.

Macatawa Area Coordinating Council
Management's Discussion and Analysis (Unaudited)
September 30, 2006

Proprietary funds. Business-type activities reported in the financial statements consist of the Transportation Fund. A single enterprise fund is used by the MACC to account for its transportation planning activities.

The basic proprietary fund financial statements begin on page 11.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. These notes can be found on page 14 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain additional supplementary information concerning the activities of the MACC's funds during the Fiscal Year. Supplemental information begins on page 25 of this report.

FINANCIAL ANALYSIS

Statement of Net Assets: This statement presents information on all of the MACC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may be a useful indicator of whether the financial position of the MACC is improving or deteriorating. Information on all MACC funds is detailed in the combined financial statements.

As noted in the financial highlights, the MACC's total assets exceeded liabilities (net assets) by \$566,003 as of September 30, 2006. With the exception of \$21,776 invested in capital assets, this amount is available to meet the future obligations of the MACC. The table below provides a summary of the MACC's net assets for 2006 compared to 2005:

	Primary Government Combined Activities FY 2006	Primary Government Combined Activities FY 2005	Increase (Decrease)	Percent Change
Current Assets	\$ 641,895	\$ 571,104	\$ 70,791	12%
Noncurrent Assets	34,722	16,499	18,223	110%
Total Assets	676,617	587,603	89,014	15%
Current Liabilities	104,487	116,593	(12,106)	-10%
Long-Term Debt Outstanding	6,127	3,867	2,260	58%
Total Liabilities	110,614	120,460	(9,846)	-8%
Net Assets				
Invested in Capital Assets--Net of Debt	21,776	6,657	15,119	227%
Unrestricted (Deficit)	544,227	460,486	83,741	18%
Total Net Assets	\$ 566,003	\$ 467,143	\$ 98,860	21%

**Macatawa Area Coordinating Council
Management's Discussion and Analysis (Unaudited)
September 30, 2006**

Statement of Activities: This statement shows the changes of the net assets during Fiscal Year 2006. Total revenues consist primarily of Federal and State of Michigan grants, along with local jurisdictional and watershed/stormwater dues. Federal, State, and local non-operating grants in Fiscal Year 2006 totaled \$494,677. General revenues consist of jurisdictional dues totaling \$258,017 and interest revenue in the amount of \$8,987. The net assets of the MACC as a whole increased by \$98,860. See the table below:

	Primary Government Combined Activities FY 2006	Primary Government Combined Activities FY 2005	Increase (Decrease)	Percent Change
Program Revenues				
Non-Operating Grants and Contributions	\$ 494,677	\$ 347,563	\$ 147,114	42%
General Revenues				
Jurisdictional Dues	258,017	257,121	896	0%
Unrestricted Investment Earnings	8,987	5,929	3,058	52%
Total Revenues	761,681	610,613	151,068	25%
Program Expenses				
Watershed	317,251	232,910	84,341	36%
MPO/Transportation	345,570	342,817	2,753	1%
Total Expenses	662,821	575,727	87,094	15%
Change in Net Assets	\$ 98,860	\$ 34,886	\$ 63,974	183%

COMBINED FUNDS BUDGETARY HIGHLIGHTS

The MACC Policy Committee approved the original combined budget for Fiscal Year 2006 on July 25, 2005. Over the course of the year, the MACC Policy Committee amended the budget to take into account events as they became known.

In the original Fiscal Year 2006 budget, we anticipated that funding for our regular transportation planning activities for the year would increase approximately 2% over Fiscal Year 2005. Subsequent to the approval of the original combined budget, we received notification from MDOT that our allocation for Federal Highway Section PL 112 planning funds would actually increase approximately 32% over our Fiscal Year 2005 allocation. This increase was reflected in the budget amendment approved by the MACC Policy Committee on February 27, 2006.

Other revenue and expense increases related to carryovers of the CMI Monitoring grant and Great Lakes Basin Program grant for the Noordeloos Creek Demonstration Site were also included in the budget amendment. The MACC had received permission from the Michigan Department of Environmental Quality (MDEQ) to extend the Watershed Project's CMI Monitoring grant into Fiscal Year 2006. The CMI Monitoring grant revenue was used for an assessment of the sources of excess phosphorus content in Lake Macatawa. This important research was conducted in partnership with Hope College and the Grand Valley State University's Annis Water Resources

**Macatawa Area Coordinating Council
Management's Discussion and Analysis (Unaudited)
September 30, 2006**

Institute. The Noordeloos Creek site includes design and construction of two separate wetland basins covering approximately five acres in Holland Charter Township. Both of these grants were completed in Fiscal Year 2006.

A new committee, the Area Airport Authority Exploratory Committee, was formed during Fiscal Year 2005. Contributions toward this work were received during Fiscal Year 2006 from local public and private sources, and were used to fund a multi-media presentation.

The final budget amendment for the fiscal year included approximately \$75,000 in both additional revenue and expense related to the newly awarded Great Lakes Basin Program grant for the Macatawa Watershed Roadside Erosion and Sediment Control Project. Our two primary goals for this project are to reduce sedimentation and soil erosion. The proposed projects include retro-fitting an Ottawa County Road Commission stormwater outfall located in Holland Charter Township, and creation of a bioswale and stabilization of a severely eroded roadside ditch along I-196 in Zeeland Charter Township. The project is scheduled for completion in Fiscal Year 2007.

Other new grant revenue reflected in the final budget amendment include the West Michigan Strategic Alliance (WMSA) Regional Indicators grant and \$10,000 in Michigan Department of Transportation funds for marketing to promote ridership on the Pere Marquette Amtrak route. Both of these projects will be completed in Fiscal Year 2007.

Additional funding was also received as part of the overall settlement between the State of Michigan and a local company prosecuted for over-applying liquid manure to fields that discharged into a tributary of the Macatawa River. Midwest Veal, LLC agreed to pay \$13,750 to the Macatawa Watershed Fund of the Community Foundation of the Holland/Zeeland Area. The Community Foundation then granted these funds to the MACC for public outreach and education. The MACC Watershed Project used this contribution and a previous contribution from the Community Foundation to fund a locally produced video series, *Into the Watershed*, and other educational projects. Revenue and expenditures for these items are reflected in the final budget amendment.

Other increases and additions to the original budget include anticipated costs for a MAX Transit Marketing Survey, signage and additional plantings for the Smollenburg Park Demonstration Site, upgrades and enhancements to the MACC website, purchase of a new computer server, and expenses related to remodeling the MACC offices.

The original budget included contingencies totaling \$10,000 that were not expended during the year. As noted above, we also received an unanticipated increase of \$38,239 in our Federal PL 112 funding. Additionally, management elected to postpone filling vacancies in certain staff positions during Fiscal Year 2006, resulting in a \$36,510 decrease in the final amounts approved for line items related to personnel expenses in all funds. These were primary factors in the \$98,860 increase in unrestricted net assets of the MACC combined funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. On September 30, 2006, the MACC's investment in capital assets for all funds amounted to \$34,722, net of accumulated depreciation, and consists of leasehold improvements, computer equipment, and office furniture and fixtures. Purchases of capital assets during Fiscal Year 2006 consisted of a computer server costing \$10,385 and leasehold improvements to the MACC's offices with a capitalized cost of \$20,225. Dispositions included fully depreciated obsolete computer equipment and a copier formerly under capital lease obligation. The net book value of the copier was \$3,302 at the end of the capital lease.

Long-term debt. At September 30, 2006, the MACC had total long-term debt outstanding of \$6,127 as compared to \$3,867 total long term debt outstanding as of September 30, 2005. This obligation relates to a note payable for leasehold improvements made to the MACC's offices.

Additional information on the MACC's capital assets and long-term debt can be found in the notes to the financial statements.

**Macatawa Area Coordinating Council
Management's Discussion and Analysis (Unaudited)
September 30, 2006**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Availability of Federal, State, and local revenues is essential to our budgeting process. The MACC recognizes that current economic conditions have negatively impacted some of its revenue sources, and therefore understands the need to continue to carefully monitor its budget.

For Fiscal Year 2007, on June 26, 2006, the MACC Policy Committee approved a total combined budgeted expense of \$658,995 for all funds. The budget reflects the expected completion of a Section 319 grant to the Watershed Project by the MDEQ. The grant is for a two-year period ending early in calendar year 2007, and is an integral tool toward reaching the phosphorus reduction goals of the Macatawa Watershed Plan.

The Fiscal Year 2007 budget also includes revenues and expenses for planning and land use. The Long Range Plan Alternative Scenarios project will initiate a traffic modeling analysis focused on future land development patterns and their impact on the transportation network. The Section 319 grant budget also includes \$20,000 for planning and land use studies, including example ordinances and training for local elected and appointed officials. Planning and land use studies will be funded by the Michigan Department of Transportation (MDOT), MDEQ, and local match.

Additional grants and contributions have been awarded since the adoption of the original FY 2007 budget, including a two-year DEQ CMI Stormwater grant totaling \$80,001. An estimated \$30,000 of that total will be recorded as revenue during Fiscal Year 2007. Other new funding includes: National Fish and Wildlife Foundation grant (\$10,000), Johnson Controls Stormwater Stenciling Project (\$9,000), and WMSA Green Infrastructure grant (\$5,000).

Revenue and expenses related to these awards were reflected in the proposed budget amendment submitted to the MACC Policy Committee for its consideration on November 27, 2006. Other revenue and expense increases related to carryovers of the DEQ Section 319 and Great Lakes Basin Program grants were also included in the proposed budget amendment. The Fiscal Year 2007 amended budget was approved at the November 27, 2006 MACC Policy Committee meeting.

Requests for Information

This financial report is designed to provide a general overview of the MACC's finances for all interested persons. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Macatawa Area Coordinating Council, 400 136th Avenue, Suite 416, Holland, MI 49424.

INDEPENDENT AUDITORS' REPORT

**To the Policy Committee
Macatawa Area Coordinating Council
Holland, MI**

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Macatawa Area Coordinating Council, as of and for the year ended September 30, 2006, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Macatawa Area Coordinating Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Macatawa Area Coordinating Council, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the Macatawa Area Coordinating Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i – v and page 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Macatawa Area Coordinating Council's basic financial statements. The accompanying information identified in the table of contents and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
November 3, 2006

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Member
American Institute of
Certified Public Accountants

Michigan Association of
Certified Public Accountants

GMN Enterprise Network

**To the Policy Committee
Macatawa Area Coordinating Council
Holland, MI**

We have audited the financial statements of the governmental activities and business-type activities of the Macatawa Area Coordinating Council as of and for the year ended September 30, 2006, which collectively comprise the Macatawa Area Coordinating Council's basic financial statements and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Macatawa Area Coordinating Council's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Macatawa Area Coordinating Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Policy Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
November 3, 2006

MACATAWA AREA COORDINATING COUNCIL
STATEMENT OF NET ASSETS
September 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash in Bank	\$ 87,686	\$ 405,407	\$ 493,093
Accounts Receivable	-	2,912	2,912
Due From Other Governmental Units	20,371	109,320	129,691
Prepaid Expenses	<u>120</u>	<u>16,079</u>	<u>16,199</u>
TOTAL CURRENT ASSETS	<u>108,177</u>	<u>533,718</u>	<u>641,895</u>
NON CURRENT ASSETS			
Office Equipment	19,761	105,735	125,496
Leasehold Improvements	-	23,044	23,044
Less: Accumulated Depreciation	<u>(18,644)</u>	<u>(95,174)</u>	<u>(113,818)</u>
TOTAL NONCURRENT ASSETS	<u>1,117</u>	<u>33,605</u>	<u>34,722</u>
TOTAL ASSETS	<u>\$ 109,294</u>	<u>\$ 567,323</u>	<u>\$ 676,617</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,010	\$ 36,366	\$ 37,376
Accrued Salaries & Wages	3,686	7,294	10,980
Accrued Payroll Taxes	282	4,420	4,702
Accrued Fringe Benefits	164	774	938
Accrued Compensated Absences	1,569	10,102	11,671
Deferred Revenue	26,428	1,803	28,231
Current Portion of Obligations			
Under Capital Lease	-	3,770	3,770
Current Portion of Long Term Debt	<u>-</u>	<u>6,819</u>	<u>6,819</u>
TOTAL CURRENT LIABILITIES	<u>33,139</u>	<u>71,348</u>	<u>104,487</u>
LONG TERM DEBT	<u>-</u>	<u>6,127</u>	<u>6,127</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	1,117	20,659	21,776
Unrestricted	<u>75,038</u>	<u>469,189</u>	<u>544,227</u>
TOTAL NET ASSETS	<u>76,155</u>	<u>489,848</u>	<u>566,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 109,294</u>	<u>\$ 567,323</u>	<u>\$ 676,617</u>

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
Year Ended September 30, 2006

			Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
		Program Revenues			
		Operating and Nonoperating Grants and Contributions	Government Activities	Business-Type Activities	Total
Functions/Programs	Expenses				
Primary Government:					
Governmental Activities:					
Watershed	\$ 317,251	\$ 242,523	\$ (74,728)	\$ -	\$ (74,728)
Business-Type Activities					
Transportation	<u>345,570</u>	<u>252,154</u>	<u>-</u>	<u>(93,416)</u>	<u>(93,416)</u>
Total Primary Government	<u>\$ 662,821</u>	<u>\$ 494,677</u>	<u>(74,728)</u>	<u>(93,416)</u>	<u>(168,144)</u>
General Revenues					
Jurisdictional Dues			110,001	148,016	258,017
Unrestricted Investment Earnings			<u>1,390</u>	<u>7,597</u>	<u>8,987</u>
Subtotal, General Revenues			<u>111,391</u>	<u>155,613</u>	<u>267,004</u>
Change in Net Assets			36,663	62,197	98,860
Net Assets - beginning of year			<u>39,492</u>	<u>427,651</u>	<u>467,143</u>
Net Assets - end of year			<u>\$ 76,155</u>	<u>\$ 489,848</u>	<u>\$ 566,003</u>

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2006

	<u>Special Revenue</u>
ASSETS	
Cash in Bank	\$ 87,686
Prepaid Expense	120
Due from Other Governmental Units	<u>20,371</u>
TOTAL ASSETS	<u>\$ 108,177</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts Payable	\$ 1,010
Accrued Salaries and Wages	3,686
Accrued Payroll Taxes	282
Accrued Fringe Benefits	164
Accrued Compensated Absences	1,569
Deferred Revenue	<u>26,428</u>
Total Current Liabilities	<u>33,139</u>
FUND EQUITY	
Fund Balance	<u>75,038</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 108,177</u>

See accompanying notes to financial statements.

**MACATAWA AREA COORDINATING COUNCIL
GOVERNMENTAL FUND TYPES
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2006**

Total Governmental Fund Balance	\$	75,038
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Amounts reported for governmental activities in the statement
of net assets are different because:

Revenue earned in current year for statement of activities that was not reported as governmental fund revenue for current year.		-
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Capital Assets used in governmental activities are not
financial resources and are not reported in the funds

Cost of Capital Assets	19,761		
Accumulated Depreciation	<u>(18,644)</u>		<u>1,117</u>

Net Assets of Governmental Activities	\$	<u>76,155</u>
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See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended September 30, 2006

	<u>Special Revenue</u>
REVENUES	
Federal	\$ 167,860
State	40,649
Local	<u>157,896</u>
TOTAL REVENUES	<u>366,405</u>
EXPENDITURES	
Salaries and Benefits	93,499
Indirect Expenses	54,144
Contract Services	156,769
Supplies	3,176
Other	<u>9,037</u>
TOTAL EXPENDITURES	<u>316,625</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49,780
FUND BALANCE (DEFICIT) - OCTOBER 1, 2005	<u>25,258</u>
FUND BALANCE - SEPTEMBER 30, 2006	<u>\$ 75,038</u>

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ 49,780**

Amounts reported for governmental activities in
the statement of activities are different because:

Governmental funds report capital outlay as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation.

Depreciation Expense	(626)
Capital Outlay	-

Revenue earned in current year for statement of activities that was
not reported as governmental fund revenue for current year. -

Revenue earned in prior year for the statement of activities that was
not reported as governmental fund revenue until the current year. (12,491)

Change in Net Assets of Governmental Activities **\$ 36,663**

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
BALANCE SHEET - PROPRIETARY FUND
September 30, 2006

ASSETS

Cash in Bank	\$ 405,407
Accounts Receivable	2,912
Due from Other Governmental Units	109,320
Prepaid Expenses	16,079
Property and Equipment	128,779
Accumulated Depreciation	<u>(95,174)</u>

TOTAL ASSETS	<u>\$ 567,323</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	\$ 36,366
Current Portion of Obligations Under Capital Lease	3,770
Current Portion of Long-Term Debt	6,819
Accrued Salaries and Wages	7,294
Accrued Payroll Taxes	4,420
Accrued Fringe Benefits	774
Accrued Compensated Absences	10,102
Deferred Revenue	<u>1,803</u>

Total Current Liabilities	71,348
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LONG-TERM DEBT	6,127
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NET ASSETS	<u>489,848</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 567,323</u>
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See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
Year Ended September 30, 2006

	Enterprise Fund
OPERATING REVENUES	\$ -
OPERATING EXPENSES	<u>394,323</u>
OPERATING INCOME (LOSS)	(394,323)
NONOPERATING REVENUES - LOCAL	225,384
NONOPERATING REVENUES - FEDERAL AND STATE	236,527
NONOPERATING EXPENSES	<u>(5,391)</u>
CHANGE IN FUND EQUITY	62,197
NET ASSETS - OCTOBER 1, 2005	<u>427,651</u>
NET ASSETS - SEPTEMBER 30, 2006	<u>\$ 489,848</u>

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended September 30, 2006

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITES	
Receipts from Grantors	\$ 487,386
Payments to Vendors	(202,513)
Payments to Employees	(190,981)
Other Receipts	<u>7,597</u>
Net cash provided by operating activities	<u>101,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, Plant and Equipment	<u>(10,385)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on capital lease obligations	(6,072)
Principal payments on long-term debt	<u>(7,279)</u>
Net cash provide by capital and related financing activities	<u>(13,351)</u>
Net increase in cash	77,753
CASH AT BEGINNING OF YEAR	<u>327,654</u>
CASH AT END OF YEAR	<u>\$ 405,407</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 62,197
Adjustments to reconcile net income to net cash flows provided by operating activities	
Depreciation	8,459
Loss on Sale of Asset	3,302
Increase in accounts receivable	(2,827)
Decrease in due from other governmental units	34,096
Increase in prepaid expenses	(11,637)
Increase in accounts payable	16,353
Decrease in accrued liabilities	(10,257)
Increase in deferred revenue	<u>1,803</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 101,489</u>

See accompanying notes to financial statements.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Macatawa Area Coordinating Council is a Metropolitan Planning Organization and is an area wide association of governmental units in the Holland/Zeeland area organized to encourage cooperation among neighboring governmental units on area wide issues.

The financial statements of the Macatawa Area Coordinating Council have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (M D & A) section providing an analysis of the Council's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Council's activities.

A change in the fund financial statement to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Council also implemented GASB #33, *Accounting and Financial Reporting for Non-exchange Transactions*. The pronouncement defines revenue recognition for non-exchange transactions at the fund and governmental levels.

A. Reporting Entity

The Macatawa Area Coordinating Council (MACC) was formed to deal with the challenges of growth and the need for more regional cooperation and planning regarding matters of mutual concern such as transportation, housing, land use, and quality of life for area citizens. Included in the membership are the cities of Holland and Zeeland, the townships of Park, Holland, Zeeland, Fillmore, Laketown, Port Sheldon and Olive, the counties of Allegan and Ottawa, the road commissions of Allegan and Ottawa County, and the Michigan Department of Transportation (MDOT).

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The fiscal year 2006 Unified Work Program (UWP) describes the urban transportation planning activities and budgets for the Macatawa Area Coordinating Council/Metropolitan Planning Organization for the time period of October 1, 2005 to September 30, 2006.

A federal grant program was initiated in fiscal year 1997 to monitor water quality and develop a phosphorus reduction strategy for the Macatawa Watershed.

B. Basic Financial Statements

Government-Wide Statements

The Council's basic financial statements include both government-wide (reporting the Council as a whole) and fund financial statements (reporting the Council's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts, invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Council first utilizes restricted resources to finance qualifying activities.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes jurisdictional dues received from local units of government.

The net costs (by function) are normally covered by general revenue (jurisdictional dues and interest income).

The Council allocates indirect costs based on indirect cost rates per an approved cost allocation plan. Accordingly, approximately 69% of these costs are allocated to Transportation programs and the remaining 31% are allocated to the Watershed program.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

The government-wide financial statements focus on the sustainability of the Council as an entity and the change in the Council's net assets resulting from the current year's activities.

Fund Financial Statements

The accounts of the Council are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Major Governmental Fund

Special Revenue Fund - accounts for the activities of the Watershed project.

Major Proprietary Funds

Enterprise Fund - accounts for the transportation operations in a manner similar to a private business. Revenues are matched with expenses and net income is determined using accrual accounting methods.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the Macatawa Area Coordinating Council available means expected to be received within sixty days of the fiscal year-end.

Expenditures are generally recognized when the fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

D. Capital Assets

The Council has adopted a capitalization policy that considers individual items with a value greater than \$ 1,000 as capital assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on all assets is provided on the straight-line method over the useful life of the assets:

Leasehold Improvements	3 – 15 years
Purchased Equipment	3 – 7 years
Donated Equipment	3 years

Other accounting policies are disclosed as appropriate in other notes to the financial statements.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash Flows

For purposes of the Statement of Cash Flows, the MACC considers all short term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

F. Accrued Fringe Benefits

The Council has accrued a liability for certain fringe benefit expenses to be paid after year end. These benefits include the Council's match on employee contributions to the MACC's 457(b) retirement plan.

G. Accrued Compensated Absences

Absences are allowed to accrue for vacation time, sick time and personal leave time and must be paid by the Organization to an employee who resigns or is terminated. Vacation pay is vested as earned by the employee. Unpaid accrued vacation is payable in full upon termination or resignation of the employee. Sick pay may accrue to a maximum of 24 days (192 hours). Unpaid accrued sick pay is payable at 50% of regular pay upon termination or resignation of the employee. Personal leave pay may accrue to a maximum of four days (32 hours). Unpaid accrued personal pay is payable in full upon termination or resignation of the employee. All of the above listed benefits are payable contingent upon successful job performance. As of September 30, 2006 accrued compensated absences amounted to \$ 11,671.

H. Legal and Budget Requirements

The Michigan Uniform Budgeting Act requires that the Special Revenue Fund establish an annual budget adopted by the board at the beginning of the fiscal year.

State law requires operation under a balanced budget and budgetary control to the functional, activity or line item level as defined in the Uniform Budgeting and Accounting Act. The budget figures in the accompanying financial statements have been reported on a Function and Fund basis and reflect approved amendments during the year.

The Policy Committee of the MACC approves the combined budget.

The final amended budget for the Enterprise Fund and the Watershed Project was approved September 25, 2006.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. The Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Public Act 217 of 1982 authorizes the MACC to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations of the United States or commercial paper of certain investment quality. Michigan law prohibits securities in the form of collateral, surety bond or other forms for the deposit of public money.

Balances at September 30, 2006 relating to cash are as follows:

	<u>Financial Statement Balances</u>	<u>Bank Balances</u>
Petty Cash	\$ 200	\$ -
Business Checking	440,283	461,442
Certificate of Deposit	<u>52,610</u>	<u>52,610</u>
	<u>\$ 493,093</u>	<u>\$ 514,052</u>

The MACC maintains its cash balances in one financial institution located in Holland, Michigan. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2006, the uninsured cash balances total \$ 414,052. Petty cash is not covered by federal depository insurance.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2006 consist of the following:

Special Revenue Fund	\$ <u>0</u>
Enterprise Fund	
West Michigan Strategic Alliance	\$ <u>2,912</u>

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 4: DUE FROM/TO OTHER GOVERNMENTAL UNITS

This account consists of amounts due from the following governmental units:

Special Revenue Fund

Michigan Department of Environmental Quality	\$ 18,248
Fillmore Township	2,123
	<u>\$ 20,371</u>

Enterprise Fund

Michigan Department of Transportation	
Fillmore Township	\$ 2,857
Grand Valley Metro Council (MPO)	3,813
MDOT	101,138
WMSRDC (MPO)	1,512
Total	<u>\$ 109,320</u>

NOTE 5: CAPITAL ASSETS

PROPRIETARY FUND TYPES

The following is a summary of the changes in fixed assets:

	<u>Balance</u> <u>10/01/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/06</u>
Equipment	\$ 80,761	\$ 10,385	\$ 16,016	\$ 75,130
Donated Equipment	30,605	-	-	30,605
Leasehold Improvements	2,819	20,225	-	23,044
Totals	<u>114,185</u>	<u>30,610</u>	<u>16,016</u>	<u>128,779</u>
Accumulated Depreciation				
Equipment	66,756	7,906	12,714	61,948
Donated Equipment	29,854	300	-	30,154
Leasehold Improvements	2,819	253	-	3,072
Totals	<u>99,429</u>	<u>8,459</u>	<u>12,714</u>	<u>95,174</u>
Net Book Value	<u>\$ 14,756</u>	<u>\$ 22,151</u>	<u>\$ 3,302</u>	<u>\$ 33,605</u>

Depreciation for fiscal year ended September 30, 2006 amounted to \$ 8,459, and is allocated directly to MDOT Activities.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 5: CAPITAL ASSETS (CONTINUED)

SPECIAL REVENUE FUND

The following is a summary of the changes in fixed assets:

	<u>Balance</u> <u>10/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/06</u>
Office Equipment	\$ 22,223	\$ -	\$ 2,462	\$ 19,761
Accumulated Depreciation	<u>(20,480)</u>	<u>(626)</u>	<u>(2,462)</u>	<u>(18,644)</u>
Net Book Value	<u>\$ 1,743</u>	<u>\$ (626)</u>	<u>\$ -</u>	<u>\$ 1,117</u>

Depreciation for fiscal year ended September 30, 2006 amounted to \$ 626, and is allocated directly to Watershed Activities.

NOTE 6: LONG-TERM DEBT

PROPRIETARY FUND TYPES

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

	<u>Long-Term Debt</u>
Balance – October 1, 2005	\$ -
Increase in Long-Term Debt	20,225
Decrease in Long-Term Debt	<u>(7,279)</u>
 Balance – September 30, 2006	 <u><u>\$ 12,946</u></u>

General long-term debt consists of the following:

The MACC made leasehold improvements that were financed by the lessor. This note is a non-interest bearing note due on July 1, 2008. Monthly payments of \$ 636 are required and the loan is unsecured. These leasehold improvements and the related note have been recorded in these financial statements using an effective rate of 8.5 %, resulting in this note being discounted by \$ 2,675. The unamortized discount as of September 30, 2006 was \$ 1,048.

	\$ 12,946
Current Portion	6,819
Long-Term Debt	<u><u>\$ 6,127</u></u>

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 6: LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

9/30/2007	\$	6,819
9/30/2008		6,127
9/30/2009		-
9/30/2010		-
9/30/2011		-
Later Years		-

Interest expense on all debt during the year ended September 30, 2006 amounted to \$ 1,352.

NOTE 7: CAPITAL LEASE

Assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease term or estimated productive life. Depreciation of the assets under capital lease is included in depreciation expense for the year. The interest expense is allocated directly to the Enterprise Fund. The color copier is leased from Xerox Corporation requiring monthly payments of \$292 and the lease runs through September 30, 2007.

Future minimum lease payments are as follows:

2006	\$	3,912
2007		-
2008		-
2009		-
2010		-
Later Years		-
Total Minimum Lease Payments		3,912
Less: Interest payments		<u>(142)</u>
Present Value of Minimum lease payments	\$	<u><u>3,770</u></u>

NOTE 8: OPERATING LEASES

In the normal course of business, operating leases are generally renewed or replaced by other leases.

The MACC leases its postage meter from Pitney Bowes in the amount of \$ 149 per month. The lease runs through August 30, 2010.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 8: OPERATING LEASES (CONTINUED)

The MACC leases its operating facilities from A & C Company in the amount of \$ 1,040 per month through July 1, 2007, and \$ 1,134 per month for the remainder of the lease which expires July 31, 2008.

The MACC leases a copier/fax machine from Ervin Leasing requiring monthly payments of \$ 262 and the lease is continued on a month-by-month basis.

Future minimum lease payments are as follows:

2007	14,451
2008	13,128
2009	1,788
2010	1,639
2011	-
Later Years	-

Rental expense for all operating leases for the year ended September 30, 2006 amounted to \$ \$11,931.00.

NOTE 9: RELATED PARTY

The Macatawa Area Coordinating Council (MACC) is a jointly governed organization whose board is composed of representatives from the governmental units which created it and where the participants have no ongoing interest or responsibility in the organization. None of the governmental units have a voting majority of the MACC.

NOTE 10: RISK MANAGEMENT

The MACC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters.

The MACC carries commercial insurance for all the above mentioned types of risks of loss including general, property damage, employee health and accident insurance, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the past three years.

NOTE 11: NONCASH INVESTING AND FINANCING

Noncash investing and financing transactions consisting of leasehold improvements financed by the lessor in exchange for a note payable were included in assets and liabilities, respectively, in the accompanying financial statements. Total leasehold improvements financed by the lessor amounted to \$ 22,900. This was discounted by \$ 2,675, due to rules relating to reporting non-interest bearing debt (as discussed in Note 6). This resulted in the net amount of \$ 20,225 being capitalized.

MACATAWA AREA COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 12: PENSION PLAN

The MACC maintains a contributory defined contribution plan as allowed under Section 457 of the U.S. Internal Revenue Code covering substantially all employees. The organization contributes a 100% match to both part-time and full-time employee, the higher of contributions to a maximum of 5% of annual compensation or the statutory rate, for the first year of employment. Contributions are matched up to 7% of annual compensation for the second year of service and forward. With respect to employer contributions, employees receive a vesting amount based on the following schedule:

25 %	After First Fiscal Year of Service
50 %	After Second Fiscal Year of Service
75 %	After Third Fiscal Year of Service
100 %	After Fourth Fiscal Year of Service

Employee contributions for the year ended September 30, 2006 were \$ 26,322. Employer contributions for the year ended September 30, 2006 were \$ 22,583

REQUIRED SUPPLEMENTAL INFORMATION

MACATAWA AREA COORDINATING COUNCIL
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal	\$ 105,830	\$ 236,043	\$ 167,860	\$ (68,183)
State	16,779	28,158	40,649	12,491
Local	110,000	110,000	110,001	1
Contributions	20,000	47,505	46,505	(1,000)
Investment Income	<u>525</u>	<u>1,275</u>	<u>1,390</u>	<u>115</u>
TOTAL REVENUES	<u>253,134</u>	<u>422,981</u>	<u>366,405</u>	<u>(56,576)</u>
EXPENDITURES				
Payroll Expenses	95,679	95,000	93,499	1,501
Postage	1,200	1,400	1,325	75
Operating Supplies	1,200	1,800	1,786	14
Educational Materials	4,500	300	65	235
Contractual - Legal	1,200	1,200	-	1,200
Contractual - Public Relations	8,250	16,250	14,752	1,498
Contractual - General	500	-	-	-
Contractual - Planning/Land Use	20,000	-	-	-
Contractual - Agricultural Asst	-	1,500	1,297	203
Contractual - Watershed Video	-	16,150	9,541	6,609
Contractual - GVSU/AWRI	9,860	19,719	19,719	-
Contractual - Hope College	3,750	5,044	5,044	-
Contractual - BMP GLBP - Noordeloos	-	88,618	88,618	-
Contractual - BMP GLBP - Roadside Erosion	-	75,000	7,572	67,428
Contractual - Comm Fdn Project	6,500	500	500	-
Contractual - Demonstration Site Signage	-	10,000	9,726	274
Communications	600	700	625	75
Travel, Conferences & Seminars	4,600	4,600	4,248	352
Business Seminars	3,500	4,350	3,903	447
Miscellaneous Expense	500	500	261	239
Research & Testing Supplies	500	-	-	-
Indirect Expenses	<u>63,378</u>	<u>65,257</u>	<u>54,144</u>	<u>11,113</u>
TOTAL EXPENDITURES	<u>225,717</u>	<u>407,888</u>	<u>316,625</u>	<u>91,263</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,417	15,093	49,780	34,687
FUND BALANCE (DEFICIT) - OCTOBER 1, 2005	<u>25,258</u>	<u>25,258</u>	<u>25,258</u>	<u>-</u>
FUND BALANCE (DEFICIT) - SEPTEMBER 30, 2006	<u>\$ 52,675</u>	<u>\$ 40,351</u>	<u>\$ 75,038</u>	<u>\$ 34,687</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

MACATAWA AREA COORDINATING COUNCIL
SPECIAL REVENUE FUND
STATEMENT OF REVENUES
Year Ended September 30, 2006

	<u>Watershed Project</u>
Federal Revenues	
Environmental Protection Agency	\$ 85,645
Department of Agriculture	<u>82,215</u>
Total Federal Revenues	<u>167,860</u>
State Revenues	
Department of Environmental Quality	<u>40,649</u>
Local Revenues	
City of Holland	25,718
City of Zeeland	4,153
Holland Charter Township	24,776
Zeeland Charter Township	6,516
Township of Park	13,546
Township of Laketown	4,447
Township of Fillmore	2,123
Township of Olive	3,549
Township of Port Sheldon	3,445
Allegan County Commission	1,330
Allegan County Road Commission	3,188
Ottawa County Commission	8,381
Ottawa County Road Commission	<u>8,829</u>
Totals	<u>110,001</u>
Local Contributions	<u>46,505</u>
Investment Income	
Interest Income	<u>1,390</u>
Total Local Revenues, Contributions and Investment Income	<u>157,896</u>
Totals	<u>\$ 366,405</u>

MACATAWA AREA COORDINATING COUNCIL
SPECIAL REVENUE FUND
STATEMENT OF EXPENDITURES
Year Ended September 30, 2006

	<u>Watershed Project</u>		
	Department of Environmental <u>Quality</u>	<u>Local</u>	<u>Total</u>
Salaries			
Project Managers	\$ 30,009	\$ 18,519	\$ 48,528
Executive Director	14,293	8,493	22,786
Fringe Benefits	16,312	5,873	22,185
Indirect Expenses	12,123	42,021	54,144
Contract Services			
BMP GLBP - Noordeloos	74,643	13,975	88,618
BMP GLBP - Roadside Erosion	7,572	-	7,572
Hope College	5,044	-	5,044
Community Foundation Project	417	83	500
Agricultural Assistant	-	1,297	1,297
Public Relations	10,641	4,111	14,752
Grand Valley State University	19,719	-	19,719
Watershed Video	-	9,541	9,541
Demonstration Site Signage	-	9,726	9,726
Supplies			
General Operating	2,516	595	3,111
Educational Materials	-	65	65
Communications	-	625	625
Travel/Conferences/Training	1,825	2,423	4,248
Business Meetings	-	3,903	3,903
Miscellaneous	-	261	261
Totals	\$ 195,114	\$ 121,511	\$ 316,625

MACATAWA AREA COORDINATING COUNCIL
PROPRIETARY FUND TYPES
STATEMENT OF NONOPERATING REVENUES - LOCAL
Year Ended September 30, 2006

	Enterprise Fund
Local Nonoperating Grants	
City of Holland	\$ 34,606
City of Zeeland	5,588
Holland Charter Township	33,338
Zeeland Charter Township	8,768
Township of Park	18,228
Township of Laketown	5,984
Township of Fillmore	2,857
Township of Port Sheldon	4,636
Township of Olive	4,775
Allegan County Commission	1,789
Allegan County Road Commission	4,290
Ottawa County Commission	11,277
Ottawa County Road Commission	11,880
	<hr/>
Total Local Nonoperating Grants	148,016
	<hr/>
Other Local Revenues	
Reimbursed Expenses	54,144
Airport Contribution	12,750
WMSA - Regional Indicators	2,877
	<hr/>
Total Other Local Revenues	69,771
	<hr/>
Investment Income	
Interest Income	7,597
	<hr/>
Total Nonoperating Revenues - Local	\$ 225,384
	<hr/>

MACATAWA AREA COORDINATING COUNCIL
PROPRIETARY FUND TYPES
STATEMENT OF NONOPERATING REVENUES - FEDERAL AND STATE
Year Ended September 30, 2006

	Enterprise Fund
Federal Nonoperating Grants	
FHWA PL 112	\$ 167,673
FTA Section 5303	26,596
Congestion Mitigation/ Air Quality (CMAQ)	22,342
Westrain Collaborative	10,000
FHWA Safety Funding - Traffic	<u>1,500</u>
 Total Nonoperating Revenues - Federal	 228,111
 State Nonoperating Grants	
State Trunkline - Asset Management	<u>8,416</u>
 Total Nonoperating Revenues - Federal and State	 <u>\$ 236,527</u>

MACATAWA AREA COORDINATING COUNCIL
PROPRIETARY FUND TYPES
STATEMENT OF OPERATING EXPENSES
Year Ended September 30, 2006

	<u>ENTERPRISE FUND</u>	
Salaries	\$	145,000
Fringe Benefits		35,724
Indirect Expenses		143,941
Miscellaneous Expenses		
Travel/Conferences/Training	\$	6,852
Dues and Subscriptions		2,020
Other		<u>2,592</u>
		11,464
Contracted Services		
Congestion Mitigation/Air Quality (CMAQ)		5,886
Westrain Collaborative		2,000
Enhancement Non Motorized		-
Traffic Count Program		-
Transit		4,620
Airport Authority		18,455
Transcad Software		995
Traffic Safety		1,366
Asset Management		424
Other		<u>4,816</u>
		38,562
Office Relocation & Remodeling		9,140
Supplies		2,033
Depreciation		<u>8,459</u>
Total Operating Expenses	\$	<u>394,323</u>

**MACATAWA AREA COORDINATING COUNCIL
PROPRIETARY FUND TYPES
STATEMENT OF NONOPERATING EXPENSES
Year Ended September 30, 2006**

	Enterprise Fund
NONOPERATING EXPENSE	
Interest Expense	\$ 2,089
Loss on Sale of Asset	<u>3,302</u>
Total Nonoperating Expenses	<u>\$ 5,391</u>

**MACATAWA AREA COORDINATING
COUNCIL**

MEMORANDUM

PHONE: (616) 395-2688

FAX: (616) 395-9411

TO: Linda
FROM: Sue Higgins
RE: Annual Audit
DATE: January 30, 2007

We are pleased to share with you the final report of our annual audit for our fiscal year ending on September 30, 2006. The auditors found “no instances of noncompliance that are required to be reported under *Government Auditing Standards*”. Further they “noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses”.

Our Policy Committee received the written and oral reports of this audit at our recent meeting, held on January 22 and they approved a motion to accept this report.

We very much appreciate the excellent working relationships that we enjoy with our federal, state, and local partners. Thank you very much for your role in our operations.

If you have any questions or comments, please do not hesitate to let me know.

**Policy Committee Board
Macatawa Area Coordinating Council**

We have audited the financial statements of Macatawa Area Coordinating Council for the year ended September 30, 2006, and have issued our reports thereon dated November 3, 2006.

In planning and performing our audit of the financial statements of Macatawa Area Coordinating Council, we considered its internal control structure as required by SAS No. 78, "Consideration of the Internal Control Structure in a Financial Statement Audit: An Amendment to SAS No.55", in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We did not become aware of any conditions that we believe to be material weaknesses.

BUDGET

The Uniform Budgeting and Accounting Act stipulates that expenditures may not exceed the amount budgeted. For the year ended September 30, 2006 there were no expenditures in excess of budgeted amounts in the Special Revenue Fund. Management has done an excellent job with its budgeting process.

INTERNAL CONTROLS

Subsequent to the end of our fieldwork we were informed that the current Finance Manager is leaving the MACC. During a time of transition such as this, the Organization should review their internal controls and procedures. The organization should also closely monitor its internal controls to ensure they are operating as intended. We have one suggested change to your system. Currently the Finance Manager is the only person with access to QuickBooks, the accounting software used by the Organization. Since the Finance Manager is not a full time position there are times that it would be helpful for the Executive Director to have access to reports. QuickBooks allows for multiple users and allows limiting access to certain activities of the program. For example, allowing a user to run reports but not be able to write or print a check. Our recommendation is to add the Executive Director as a user to QuickBooks with limited access, with that limit to be determined by the Board.

During the course of the audit, we offered suggestions and recommendations regarding the day-to-day operations of the system to the accounting personnel as the topics arose.

We would like to take this opportunity to thank the Organization's administration and accounting personnel for their dedication and hard work in performing their accounting functions and helping us to complete the audit in a timely manner. The Macatawa Area Coordinating Council's records are well organized and the staff is extremely cooperative.

This report is intended solely for the information and use of the Board, management and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

We appreciate the opportunity to provide financial auditing to the Macatawa Area Coordinating Council. If you have any questions or would like assistance with any of the above recommendations, we would be willing to discuss them with you at your convenience.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
November 3, 2006